All Distribution Network Operators

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i ddefnyddwyr ynni

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29 August 2014

Dear stakeholder,

CUSC Modification Proposal 223 – Information request to Distribution Network Operators (DNOs) in accordance with Standard Condition 6 of the Electricity Distribution Licence: Smart Metering Systems and Provision of Information to the Secretary of State

CMP 223 proposes revised security arrangements for distributed generators who have an impact on the electricity transmission system (relevant distributed generators). While some evidence was put forward by the industry working group who developed the proposal, this may not be sufficient to enable us to make an informed decision on the merits of the proposal, particularly with regards to the potential risks being placed on users of the electricity transmission system. These risks are ultimately borne by consumers.

We therefore ask you to submit to us the information set out below. We consider that the collection of this information is consistent with the Authority's statutory duties, including its principal objective to protect the interests of existing and future consumers.

1.
    a. Over the past five years, how many applications for connection have you received from distributed generators?
    b. How many of these applications went through the statement of works process?
    c. How many of these applications were identified as having an impact on the transmission system?
2.
    a. In total, how many distributed generators that applied for a connection in the last 5 years are actually connected, or contracted to connect to your network?
    b. Of these, how many have gone through the Statement of Works Process? [the answer should be a subset of 1a above]
    c. How many have been identified as having an impact on the transmission system?[the answer should be a subset of 1b above]
3. Please can you tell us about the **relevant** distributed generators connected to your network? This information should include where possible[1]:

[1] Please see Appendix 1 for list of size, generation type and location options.

- Name
- Size (Please select from options provided)
- Generation type (Please select from options provided)
- Location (Please select from options provided)

4. What is the typical ownership structure of the **relevant** distributed generators connected, or contracted to connect to your network? e.g. community-owned, subsidiary of parent company etc. If a subsidiary please include the parent company name. Do you have any further comments on factors that might affect the credit-worthiness of relevant distributed generators?
5. What are the liability requirements for transmission reinforcement works placed on the **relevant** distributed generators connected to your network? What are the associated security requirements?
6. For those **relevant** distributed generators that applied for a connection in the last five years and were identified as having an impact on the transmission system (ie. the answer to 1b), how many have terminated their request for a connection? Can you please provide data on when they terminated, i.e. pre or post acceptance of connection offer. In your answer please provide the name, size, generation type and location of the project.
7. Over the last five years, for **relevant** distributed generation projects that have terminated prior to commissioning, what are the rates of non-recovery of liabilities for transmission reinforcement works? Please list the number of terminations, value of the projects, and the amounts recovered. If the process of debt collection is ongoing, please state this.
8. Over the last ten years, where projects have terminated, have the transmission reinforcement works carried out on behalf of the project that has terminated been subsequently used by another customer? Please provide details on the transmission reinforcement work that was carried out and the project(s) that have utilised the assets including their name, size, generation type, and location.

Background

CMP 223 was put forward by Carnedd Wen Wind Farm limited ("the proposer") in September 2013. As set out in our Impact Assessment, the proposer suggested that an unintended consequence of a previous modification, CMP 192, was that relevant distributed generators faced undue discrimination in the way that liability and security conditions are set out and how the sums calculated are passed on. Whilst generators connected to the transmission network are required to post security at a reducing rate as the project nears completion – 42% prior to key consents being granted, and 10% once these are achieved, relevant distributed generators in most cases have to provide 100% of the liability as security. This is because unlike transmission operators, Distribution Network Operators (DNOs) are unable to recover sums from Transmission Network Use of System (TNUoS) charges for relevant distributed generators that have terminated projects and failed to pay any outstanding liabilities due.

CMP 223 proposes that security levels for these users be set at 45% pre-consent and 26% post-consent. These are derived from National Grid analysis of 31 generators from February 2007 to March 2011 of Bilateral Embedded Generation Agreement (BEGA) and Bilateral Embedded Licence

Exemptible Large Power Station Agreement (BELLA) users. However, this does not represent the complete population of relevant distributed generators. Further, the figures may not take into account other interlinking factors that may affect the risk or credit-worthiness of distributed generators compared to transmission-connected generators. Ultimately, this means that the proposed security figures may not provide an accurate reflection of risk to consumers.

Responses

For ease of comparison, please submit your answers using the attached template[2]. However, if this proves impractical, you may use an alternative mechanism that best allows responses to the above questions. Please note that any data Ofgem receives as part of this information request will be treated as confidential and not shared outside the organisation.

Please send us your submission before or on **3 October 2014**.

If you have any queries in relation to the issues raised in this letter, please contact **Saad Mustafa** on 0207 901 7114 or via e-mail at saad.mustafa@ofgem.gov.uk

James Veaney

Head of Distribution Policy

[2] https://www.ofgem.gov.uk/licences-codes-and-standards/codes/electricity-codes/connection-and-use-system-code-cusc

Appendix 1: Template for DNO responses to Question 3

Size (MW)	Generation Type	Location
0-5 MW	Non-renewable	East Midlands
6-20 MW	Domestic Combined Heat and Power (CHP)	Eastern England
21-35 MW	Energy Storage Device	London
36-50 MW	Fuel Cells	North East England
51-65 MW	Hydro	North Scotland
66-70 MW	Photovoltaic (PV)	North Wales, Merseyside and Cheshire
71-85 MW	Wind	North West
86-100 MW	Renewable - other	South East England
>100 MW		South Scotland
		South Wales
		South West England
		Southern England
		West Midlands
		Yorkshire